



CARSON

Charts of the Week

Carson Investment Research

February 23 - 27, 2025

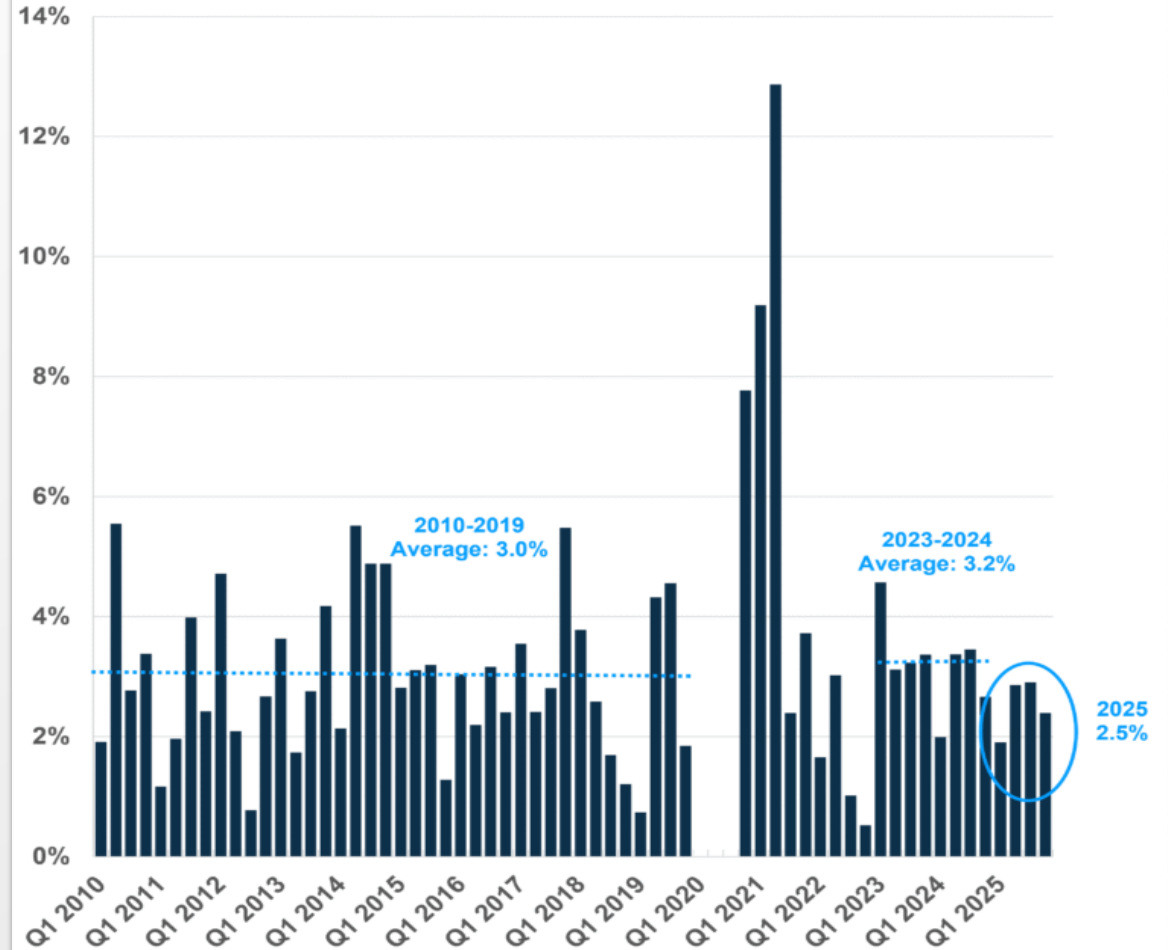
Chart of the Week

Take a Big Deep Breath, Private Sector Remains Ok

- Private demand pulled back in 2025 to a 2.5% average, still okay compared to 2010-2019's 3.0%, but down from 2023-2024's 3.2%.
- Q4 2025 shows 2.5%, with volatility post-2020 including a high spike, then stabilization above the dotted trend line.

Real private demand pulled back in 2025, but still OK

Real Final Sales to Private Domestic Purchasers
(% Q/Q, Annualized)



Data source: Carson Investment Research, BEA 02/20/2026

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Data from Q1 - Q3 2020 omitted for clarity.



Macro

Q4 GDP: Headline Slowdown, Private Strength Holds

- Real GDP growth fell to 1.4% annualized in Q4 from 4.4% in Q3, dragged heavily by federal spending collapse (-16.6% annualized) during the shutdown.
- Consumption eased to 1.6% contribution (services steady at 3.4% growth), while nonresidential investment rose (0.5%, 3.7% annualized), boosted by AI-related investment.
- Private final sales to domestic purchasers remained solid at 2.4% annualized, close to trend and resilient despite headline weakness.

	Q/Q CHANGE (Annualized)			
	2025 Q3	2025 Q4	2025 Q3	2025 Q4
Real GDP Growth	4.4%	1.4%		
	Contributions		Annualized Rate of Change	
Consumption	2.3%	1.6%	3.5%	2.4%
Goods	0.6%	0.0%	3.0%	-0.1%
Durable goods	0.1%	-0.1%	1.6%	-0.9%
Nondurable goods	0.5%	0.1%	3.9%	0.4%
Services	1.7%	1.6%	3.6%	3.4%
Investment	0.0%	0.7%	0.0%	3.8%
Fixed investment	0.2%	0.5%	0.8%	2.6%
Nonresidential	0.4%	0.5%	3.2%	3.7%
Residential	-0.3%	-0.1%	-7.1%	-1.5%
Change in private inventories	-0.1%	0.2%		
Net exports	1.6%	0.1%		
Exports	1.0%	-0.1%	9.6%	-0.9%
Goods	0.6%	-0.1%	8.5%	-1.8%
Services	0.4%	0.0%	11.5%	0.5%
Imports	0.6%	0.2%	-4.4%	-1.3%
Goods	0.8%	0.3%	-7.1%	-2.8%
Services	-0.2%	-0.1%	6.4%	3.9%
Government	0.4%	-0.9%	2.2%	-5.1%
Federal	0.2%	-1.2%	2.7%	-16.6%
State and local	0.2%	0.3%	2.0%	2.4%
Domestic Demand				
Final Sales to Domestic Purchasers	2.8%	1.1%		
Final Sales to Private Domestic Purchasers	2.9%	2.4%		

Source: Carson Investment Research, BEA 02/20/2026

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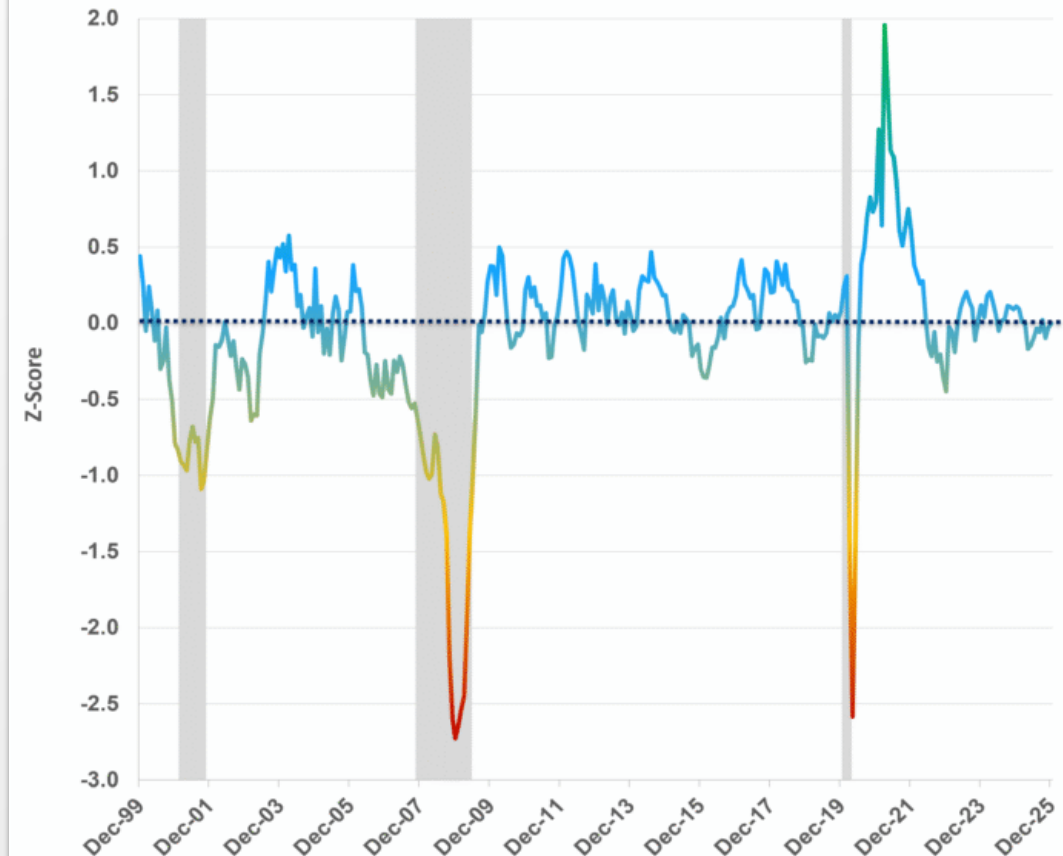
Macro

Despite the Economy Cooling, Our LEI Remains Strong

- The index shows economic activity running close to trend (score of 0), with fluctuations around zero but no deep negative dives indicative of recessions.
- Shaded areas highlight U.S. recessions, where the index typically drops below -1, but recent data remains positive or near zero.
- Post-2023, the index has trended upward slightly, suggesting stability without signs of typical pre-recession deterioration.

Economic activity running close to trend, with no sign of deterioration typical of recession

Carson Proprietary Leading Economic Index - USA



Data source: Carson Investment Research 01/31/2026

Shaded areas indicate U.S. recessions

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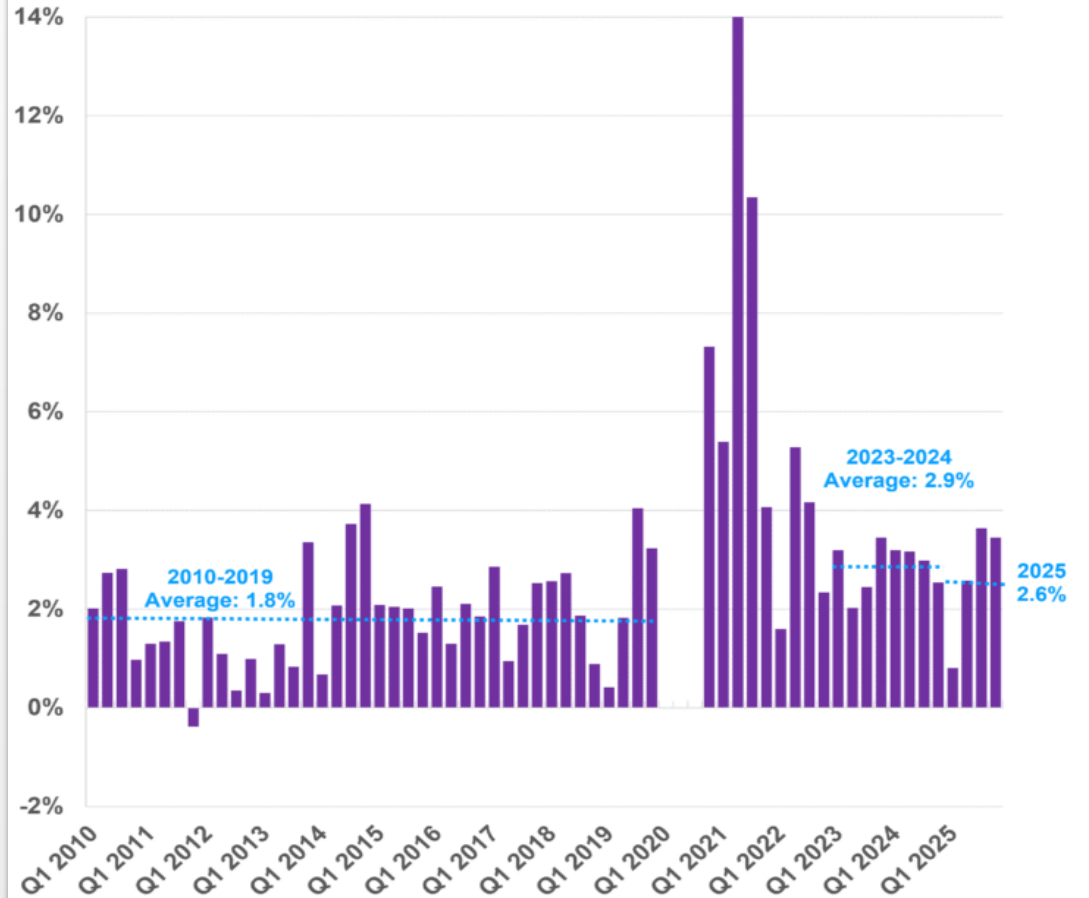
Macro

Services Are Still Doing the Heavy Lifting

- Services spending remains strong, well above the 2010-2019 average of 1.8%, with 2023-2024 averaging 2.9%.
- Post-2020 spike reached over 14%, followed by volatility, but 2025 holds at 2.6% despite a slight pullback.

Services spending continues to run strong, well above trend

Real Personal Consumption Expenditures: Services
(% Q/Q, Annualized)



Data source: Carson Investment Research, BEA 02/20/2026

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Data from Q1 - Q3 2020 omitted for clarity.



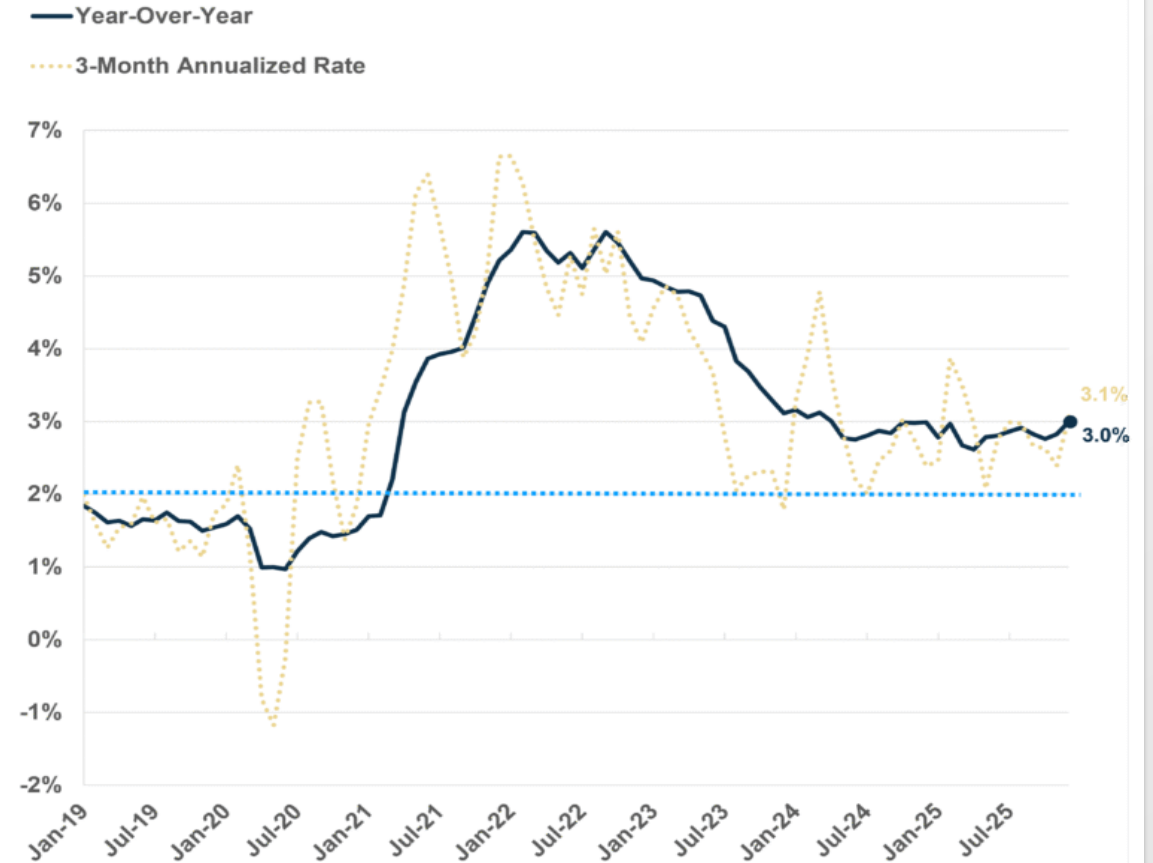
Macro

Core Inflation Won't Break Lower...

- Core inflation stays stubbornly high at 3% year over year and 3.1% 3-month annualized in December 2025.
- The post-2021 surge peaked around 5.5%, followed by decline, but recent months show flattening without further progress.
- Lines fluctuate above the 2% target, highlighting broad-based inflation pressures despite some cooling.

Core inflation stays stubbornly high

Personal Consumption Expenditure Price Index
Excluding Food and Energy (December 2025)



Data source: Carson Investment Research, FRED 02/20/2026

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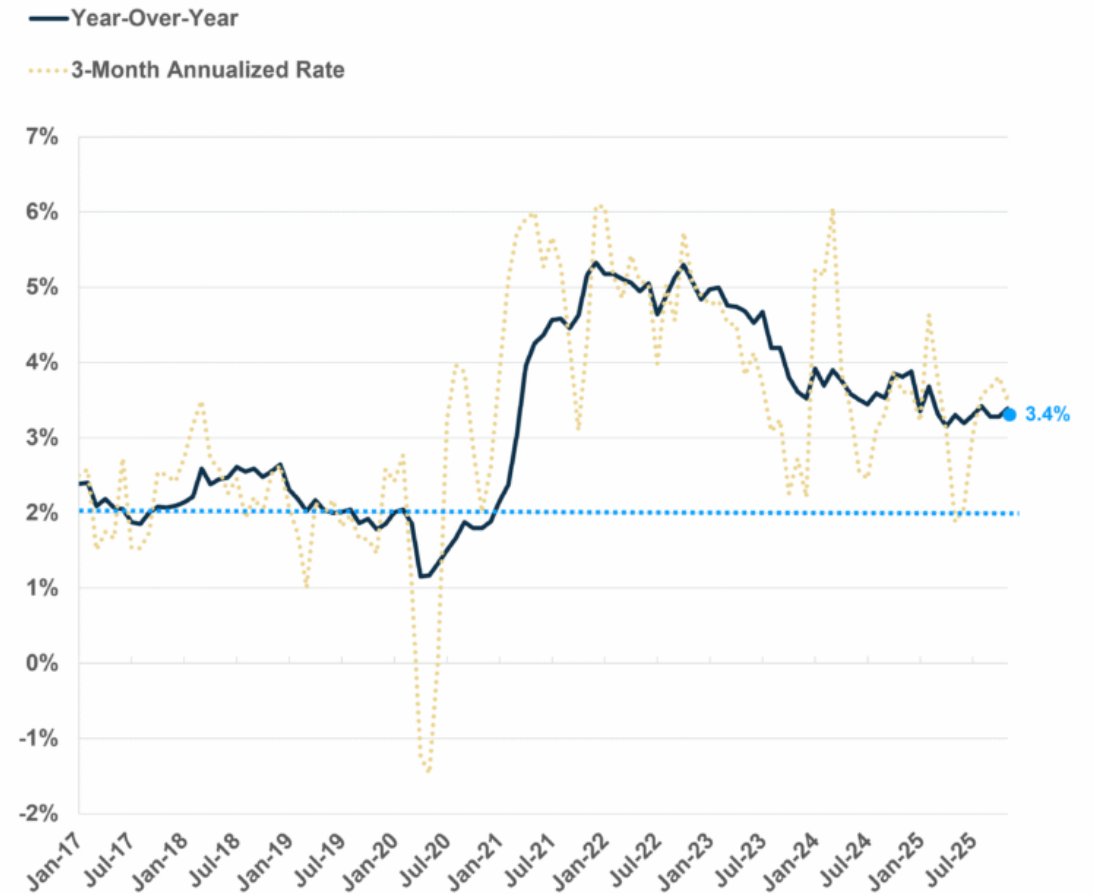
Macro

Persistent Services Inflation

- Core services inflation (ex housing) remains elevated at 3.4% in December 2025.
- The year-over-year trend has remained stubbornly above 3%.
- Trend shows progress since the 2021-22 peak period, but recent data indicates stalled progress toward the 2% target.

Not a lot of progress: core services (ex housing) inflation remains elevated

Personal Consumption Expenditure Price Index
Core Services ex Housing (December 2025)



Data source: Carson Investment Research 02/20/2026
FRED, Bloomberg

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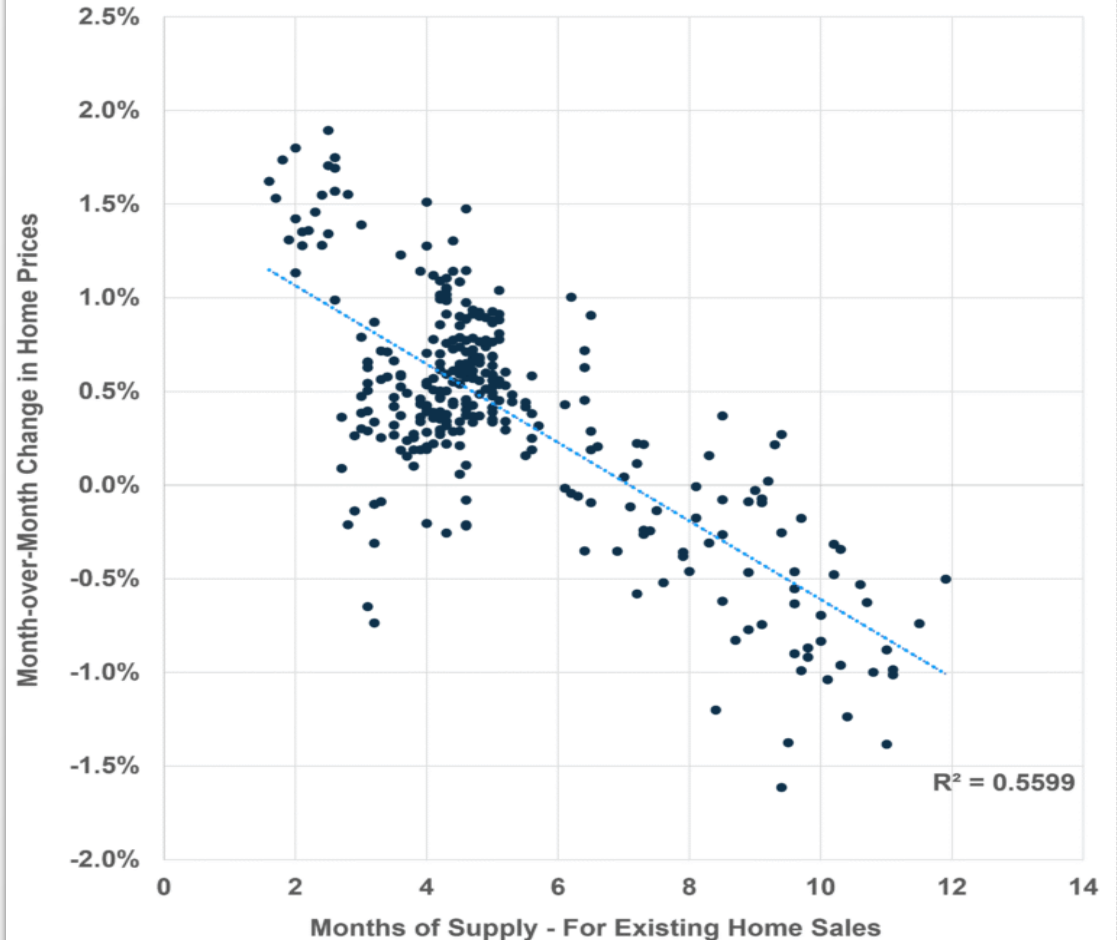
Macro

Keep It Simple: Inventory Drives Prices

- Low inventory tends to push home prices up, with negative correlation.
- Month-over-month home price changes (Case-Shiller) plot against months of supply, showing easy to see, downward trend line.
- Clusters indicate higher prices at low inventory (left side) and declines at high inventory (right side).

Low inventory tends to push home prices up, and vice versa

Home Prices vs Inventory (January 1999 - December 2025)



Data source: Carson Investment Research, Bloomberg 02/24/2026

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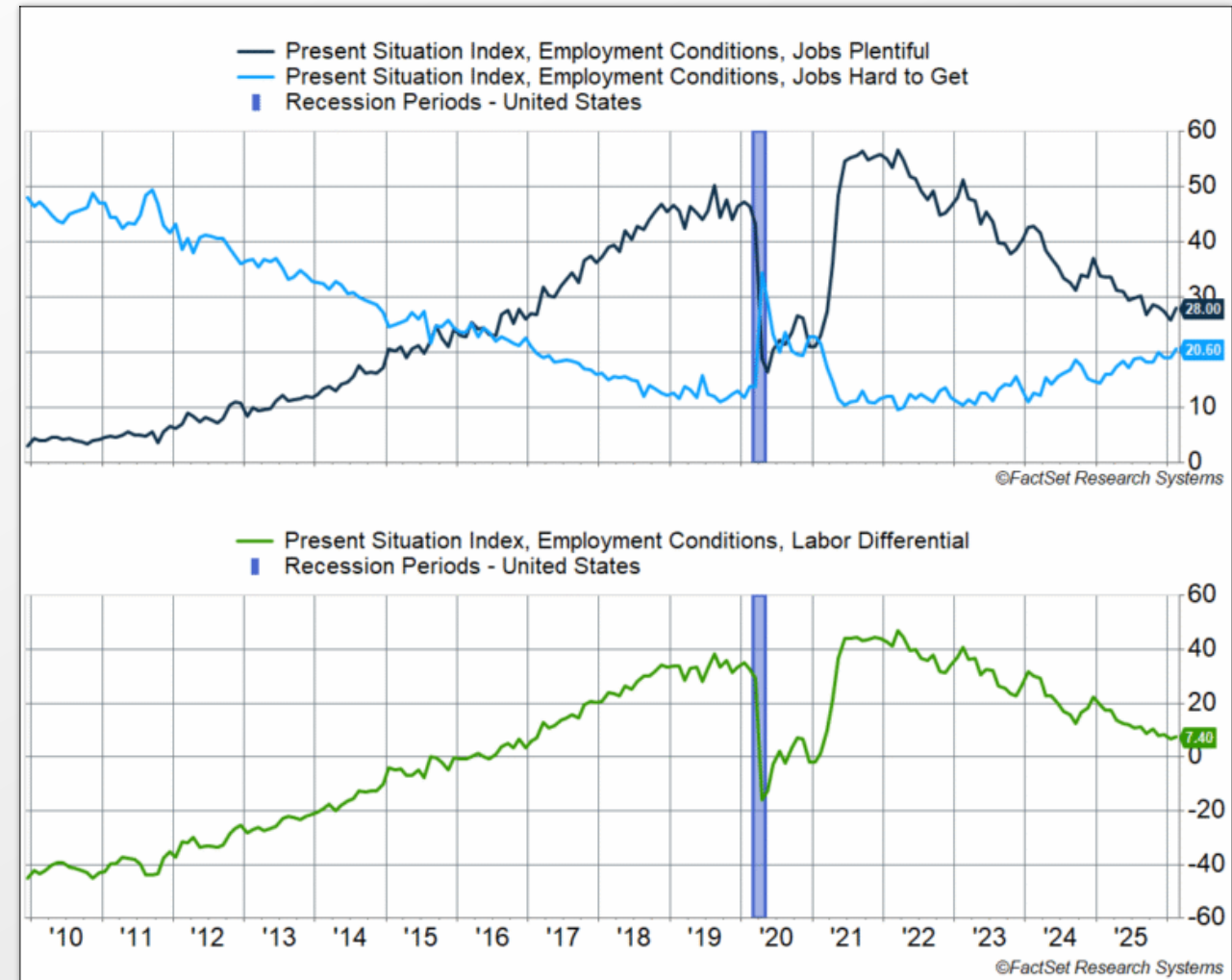
Month-over-month change in home prices calculated using the Case-Shiller National Home Price Index (seasonally adjusted)



Macro

Labor Market Balance Shifts

- Top graph: “Jobs plentiful index” declined to 30 in 2025; “jobs hard to get” rose slightly.
- Bottom graph: Labor differential (plentiful minus hard to get) continues to trend lower.
- Trends are undesirable but not indicating major risk in a low hire / low fire economy impacted by immigration changes.



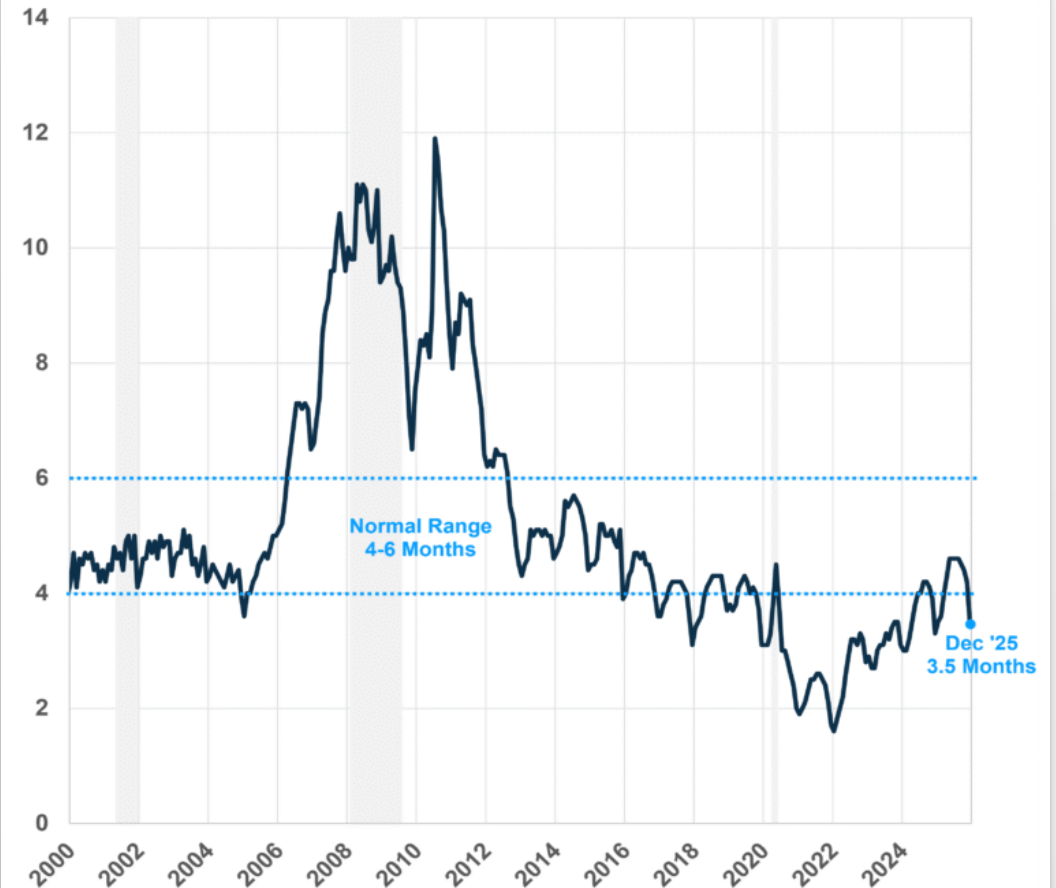
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Housing Supply Has Tightened

- Inventory of existing homes fell below "normal" 4-6 month range once again, ending at 3.5 months in Dec 2025.
- Even with the December decline, supply is improving but inventory remains relatively tight.

Inventory of existing homes has fallen below "normal" once again (relative to demand)

Existing Home Sales Inventory
(Months of Supply)



Data source: Carson Investment Research, Bloomberg 02/24/2026

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Shaded area indicate U.S. recessions



Equities

Markets Rebound Post-Crises

- Median S&P returns turn positive quickly: -0.2% at 1 month, +2.7% at 3 months, +5.3% at 6 months, +7.4% at 12 months following historical negative events.
- Short-term weakness is common (46.5% positive at 1 month), but longer horizons show gains (60%+ positive at 6-12 month).
- Most negative months often accompanied by a recession that may not be event-driven.

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How Do Stocks Do After Major Events?

S&P 500 Index Performance After Geopolitical And Major Historical Events

Market Shock Events	Event Date	S&P 500 Index Returns			
		1 Month	3 Months	6 Months	12 Months
Germany Invades France	5/10/1940	(19.9%)	(12.7%)	(4.5%)	(18.7%)
Pearl Harbor Attack	12/7/1941	(1.0%)	(11.0%)	(6.5%)	4.3%
N. Korean Invades S. Korea	6/25/1950	(10.0%)	1.6%	4.1%	11.7%
Hungarian Uprising	10/23/1956	(2.1%)	(2.8%)	(1.3%)	(11.7%)
Suez Crisis	10/29/1956	(4.4%)	(3.6%)	(0.0%)	(11.6%)
Cuban Missile Crisis	10/16/1962	5.1%	14.1%	20.7%	27.8%
Kennedy Assassination	11/22/1963	6.8%	11.9%	15.5%	23.2%
Gulf of Tonkin Incident	8/2/1964	(1.6%)	1.9%	5.3%	2.7%
Six-Day War	6/5/1967	3.3%	5.9%	7.5%	13.5%
Tet Offensive	1/30/1968	(3.8%)	5.1%	5.2%	10.2%
Penn Central Bankruptcy	6/21/1970	(0.1%)	7.2%	16.8%	28.6%
Munich Olympics	9/5/1972	(1.0%)	5.7%	2.3%	(5.8%)
Yom Kippur War	10/6/1973	(3.9%)	(10.7%)	(15.3%)	(43.2%)
Oil Embargo	10/16/1973	(7.0%)	(13.2%)	(14.4%)	(35.2%)
Nixon Resigns	8/9/1974	(14.4%)	(7.0%)	(2.8%)	6.4%
Reagan Shooting	3/30/1981	(0.9%)	(1.8%)	(14.0%)	(16.4%)
Continental Illinois Bailout	5/9/1984	(3.1%)	1.0%	6.4%	12.8%
1987 Stock Market Crash	10/19/1987	8.1%	10.9%	14.7%	22.9%
Iraq's Invasion of Kuwait	8/2/1990	(8.2%)	(13.5%)	(2.1%)	10.1%
Soros Breaks Bank of England	9/16/1992	(2.5%)	3.0%	6.8%	9.9%
First World Trade Center Bombing	2/26/1993	1.7%	2.0%	4.0%	4.7%
Asian Financial Crisis	10/8/1997	(3.7%)	(1.8%)	14.1%	(1.5%)
U.S.S. Cole Yemen Bombing	10/12/2000	2.7%	(0.9%)	(11.3%)	(19.6%)
U.S. Terrorist Attacks	9/11/2001	(0.2%)	2.5%	6.7%	(18.4%)
Iraq war started	3/20/2003	1.9%	13.6%	18.7%	26.7%
Madrid Bombing	3/11/2004	3.5%	2.7%	1.5%	8.4%
London Subway Bombing	7/5/2005	3.3%	1.8%	5.3%	5.5%
Bear Stearns Collapses	3/14/2008	3.6%	5.6%	(2.8%)	(41.5%)
Lehman Brothers Collapses	9/15/2008	(16.3%)	(26.2%)	(34.8%)	(11.7%)
Boston Marathon Bombing	4/15/2013	6.3%	8.4%	9.7%	17.9%
Russia annexed Crimea	2/20/2014	1.5%	2.6%	8.0%	14.7%
BREXIT	6/24/2016	6.5%	6.2%	11.0%	19.7%
Bombing of Syria	4/7/2017	1.8%	3.1%	7.6%	12.8%
North Korea Missile Crisis	7/28/2017	(1.1%)	3.6%	14.8%	13.4%
Saudi Aramco Drone Strike	9/14/2019	(1.4%)	5.4%	(8.8%)	12.5%
Iranian General Killed In Airstrike	1/3/2020	1.9%	(23.1%)	(4.2%)	14.4%
U.S. Pulls Out of Afghanistan	8/30/2021	(3.7%)	2.8%	(4.9%)	(12.0%)
Russia invades Ukraine	2/24/2022	5.9%	(7.2%)	(2.1%)	(7.1%)
Hamas attacks Isreal	10/7/2023	1.3%	10.6%	20.9%	33.5%
Iran attacks Isreal	4/13/2024	1.9%	9.9%	13.5%	5.3%
Liberation Day	4/2/2025	(0.5%)	10.6%	19.1%	?
US Bombs Nuclear Facilities In Iran	6/22/2025	5.7%	11.7%	13.5%	?
US Removes Maduro in Venezuela	1/3/2026	0.9%	?	?	?
Average		(0.9%)	0.8%	3.4%	3.0%
Median		(0.2%)	2.7%	5.3%	7.4%
% Higher		46.5%	66.7%	61.9%	65.0%

Source: Carson Investment Research, S&P Dow Jones Indices, CFRA Strategas 02/20/2026
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